



STATE OF MICHIGAN

JENNIFER M. GRANHOLM
GOVERNOR

DEPARTMENT OF MANAGEMENT & BUDGET
LANSING

LISA WEBB SHARPE
DIRECTOR

February 26, 2008

The Honorable Bill Hardiman
Chair, Department of Human Services Appropriations Subcommittee
Michigan State Senate
P.O. Box 30036
Lansing, MI 48909-7536

The Honorable Mark C. Jansen
Chair, Families and Human Services Committee
Michigan State Senate
P.O. Box 30036
Lansing, MI 48909-7536

Dear Senator Hardiman and Senator Jansen:

Thank you for the opportunity to directly respond to the concerns outlined in the Office of the Auditor General's (OAG) letter of November 19, 2007, on the Bridges IT integration project. I write to clarify my oral testimony of today in the hope that your concerns will be addressed and that the project can move forward with your continued support.

While the Department of Human Services (DHS) is the lead agency on this project, I am addressing the core concerns of the Auditor General for which the Department of Management and Budget (DMB) has responsibility. The areas addressed below relate to documentation, contracting processes and the Short Term Augmented Resources for Technology (START) consultant contacts. I will also respond to one of the questions raised at the end of the February 12, 2008, joint hearing.

First, in two separate items, the OAG expresses concern about contract documentation. The OAG letter states that DHS and the Department of Information Technology, (DIT) in conjunction with the DMB, did not maintain adequate contract documentation. They also state that we had incomplete vendor proposal scores and review notes, and other documentation was missing from the consultant contract files.

To answer both concerns, I want to be clear that the OAG references two separate contracting processes in their letter. In relation to the vendor contracts, the OAG pointed out that we do not have site visit and buyer notes within the file. The OAG did not understand that we do not normally maintain the notes they referenced, rather, the

notes are summarized and a recommendation is made through our final bid synopsis document. The Project Control Office (PCO) vendor file with EDS and the main implementation vendor file for Deloitte contain that information. Those bid synopsis documents were available for OAG review.

The OAG also referenced missing information related to the START consultants. All of the files related to consultants, who were hired through the START process, have been located since the OAG inquiry. DMB acknowledges that we did not have documentation transmitted by DHS for one consultant's file at the time of the inquiry. As a result of our own internal review and an OAG audit, DMB has instituted a comprehensive process to produce and maintain complete contract files and file integrity; this process includes ongoing internal audits of procurement files.

Second, the OAG expressed concerns about competitive bidding. The letter states that DHS and DIT did not competitively bid one Project Management Office (PMO) consultant contract.

This referenced consultant came to DMB's attention as part of a critical continuity contract list developed by DIT and DHS and was approved by the Administrative Board, along with over 60 other IT staff augmentation contracts. The end using agency, DHS, presented a solid business case that it was vital and in the best interest of the State that this person remain on the project. As a result, DMB processed this contract along with the other critical contracts.

On the third item, the OAG letter states that DHS and DIT inappropriately used the one-year term START contract process.

The START program was chosen by DIT as a means to purchase consultant resources at the beginning of the Bridges project. DMB's Purchasing Operations was informed that these positions were for planning purposes and their duties would be completed within the year, so START was the appropriate vehicle for a one-year, IT consulting contract.

However, in 2005, DMB's Purchasing Operations received a request from DIT through DHS to amend the consultant contracts to add time and money to the contract because the duties of the consultants had been expanded. This caused these individuals to be deemed critical to the Bridges project's success.

As required by law, the requests for amendments were processed and presented before the State Administrative Board for approval, which was granted in April of 2005.

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Should the need for these positions continue beyond the current contracts, which all expire by the end of 2008, DMB is prepared to bid out the necessary contracts should that be in the best interest of the State.

Finally, at the end of the last hearing, you asked for further information on state laws and policies that were adhered to when it comes to purchasing and contractors. All consultant and Bridges contracts were approved by the State Administrative Board and all DMB procurement policies that were in place at the time were followed. The DMB Act was also followed.

Once again, thank you for the opportunity to clarify what transpired at DMB related to the Bridges project. If you have any additional questions on this or any other issue of concern, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lisa Webb Sharpe".

Lisa Webb Sharpe
Director

c: Senator Jim Barcia
Senator Gilda Jacobs
Senator Roger Kahn
Senator Martha G. Scott
Tim Hughes, Legislative Affairs, Executive Office
Robert Burns, Director, Governmental Affairs, DMB